

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NEA-07 SSO-00 EUR-08 ARA-06 AF-04
EA-06 NSC-05 NSCE-00 SP-02 INR-05 INRE-00 CIAE-00
IO-06 OMB-01 TRSE-00 L-01 OES-02 PRS-01 ACDA-10 /082 W
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O R 181235Z DEC 76
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC IMMEDIATE 5350
INFO AMEMBASSY DOHA
AMEMBASSY ALGIERS
AMEMBASSY BONN
USINT BAGHDAD
AMEMBASSY BRASILIA
AMEMBASSY CARACAS
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

S E C R E T ABU DHABI 3405

LIMDIS

DEPARTMENT PASS BAGHDAD

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E.O. 11652: GDS
TAGS: ENRG
SUBJ: OPEC MINISTERIAL IN DOHA - MEETING WITH UTAYBA

1. SUMMARY. DESPITE CONCERN AT VULNERABILITY TO ALLEGATIONS
BY OTHER OPEC MEMBERS OF BEING US TOOL, UTAYBA FEELS UAE MADE

RIGHT DECISION AT DOHA. UAE ANTICIPATES THAT THIS POSITIVE STEP WILL BE RECIPROCATED BY US IN MIDDLE EAST AND NORTH-SOUTH DIALOGUE. END SUMMARY.

2. WHILE WAITING FOR KING HUSSEIN OF JORDAN TO ARRIVE AT ABU DHABI AIRPORT, I HAD AN OPPORTUNITY TO TALK TO UAE OIL MINISTER UTAYBA MORNING OF DECEMBER 18 FOR A QUICK DEBRIEFING ON OPEC CONFERENCE IN DOHA. UTAYBA HAD ARRIVED PREVIOUS EVENING AND WAS HAPPY TO HAVE A CHANCE TO GIVE ME HIS FIRST HAND IMPRESSIONS.

3. UTAYBA SAID THAT IT HAD BEEN A VERY ACRIMONIOUS AND DIFFICULT MEETING BUT DESPITE THE TWO PRICE ANNOUNCEMENT, IT WOULD BE A MISTAKE TOTREAT IT AS A DANGEROUS SPLIT IN OPEC. WHEN DISCUSSIONS STARTED, THE PRICE HAWKS, PARTICULARLY THE IRAQIS, WERE DEMANDING AN INCREASE OF 25 PERCENT BUT OIL MINISTER YAMANI STOOD FIRM ON PRICE FREEZE. AFTER CONSIDERABLE DISCUSSION, THE PRICE HAWKS MODIFIED THEIR DEMANDS TO ABOUT 15 PERCENT. THAT WAS STILL TOO HIGH FOR SAUDI ARABIA AND UAE AND IT LOOKED LIKE OPEC WAS FACING A SERIOUS IMPASSE. YAMANI HAVING NO OTHER INSTRUCTIONS, DECIDED, AT UTAYBA'S URGING, TO GO BACK TO RIYADH TO FIND OUT IF THERE WAS ANY POSSIBLE FLEXIBILITY. UTAYBA SAID HE PROPOSED TO YAMANI A FIVE PERCENT INCREASE AS A COMPROMISE AND THAT UAE WOULD STICK WITH SAUDIS TO THIS FIGURE IF THIS BECAME SAUDI DECISION NO MATTER WHAT OTHERS DID. HE SAID YAMANI WENT TO RIYADH THURSDAY AFTERNOON (DECEMBER 16) TO TALK TO PRINCE FAHD AND TO HAVE A TELEPHONE CONVERSATION WITH KING KHALID IN GENEVA. YAMANI RETURNED LATER IN THE EVENING WITH THE NEW SAUDI POSITION OF FIVE PERCENT FOR CALENDAR YEAR
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1977. OTHER OPEC MEMBERS DID NOT GO ALONG SO THAT IN FINAL COMMUNIQUE, THEY AGREED TO DISAGREE ON WHAT PRICE RISE WOULD BE.

4. UTAYBA HAD NO CLEAR IDEA OF HOW TWO PRICE OIL SYSTEM WOULD WORK. HE POINTED OUT THAT A NUMBER OF PRICE HAWKS HAD BEEN SELLING THEIR OIL AT A DISCOUNT AND HE ANTICIPATED THEY WOULD CONTINUE TO DO SO. AS FOR UAE AND SAUDI ARABIA, PRICE WOULD BE FIVE PERCENT MORE JANUARY 1 AND NO MORE. HE INDICATED THAT OIL COMPANIES WOULD BE WARNED NOT TO TAKE ADVANTAGE OF PRICE DIFFERENTIALS. IF UAE DISCOVERED THAT TEY WERE PLAYING PRICE GAME TO THEIR ADVANTAGE, THEY WOULD LOSE ACCESS TO UAE OIL. HE ANTICIPATED SAUDIS WOULD DO SAME AND WOULD BE MONITORING AS BEST THEY COULD HOW INTERNATIONAL OIL COMPANIES MARKET THEIR CRUDES. HE ALSO ANTICIPATED THAT OTHER OPEC COUNTRIES WOULD NOT BE ABLE TO MAKE THEIR HIGHER PRICES STICK UNLESS THERE WAS A SURGE IN DEMAND IN 1977.

5. WITH REGARD TO LOW SULPHUR DIFFERENTIALS, UTAYBA SAID THIS WENT OUT THE WINDOW WITH TWO PRICE SYSTEM. DIFFERENTIALS COULD ONLY BE ESTABLISHED IF SAUDI MARKER CRUDE WAS USED AS BASIS FOR COMPUTATION.

6. UTAYBA ALSO SAID THAT DURING OPEC MEETINGS, THERE WAS A GOOD DEAL OF DISCUSSION ABOUT PRODUCTION PROGRAMMING. HE SAID THAT HE AND YAMANI HAD STRONGLY OPPOSED THIS. THEY HAD POINTED OUT THAT PROBLEM NOW IS THAT THERE IS NOT ENOUGH CRUDE TO MEET WORLD DEMAND AND THAT PRODUCTION PRO-GRDDOZWVEIWCMTYDEDED.# BESIDES, IT WOULD BE SSEN AS CONFRONTATIONAL BY ALL CONSUMER COUNTRIES.

7. ASKED ABOUT FUTURE UAE OIL PRODUCTION, UTAYBA SAID UAE IS CONSIDERING INCREASING ITS PRODUCTION. HE HAD HOPED THAT IT WOULD NOT BE NECESSARY AT THIS TIME UNTIL RECENT RESERVOIR STUDIES HAVE BEEN ANALYZED BUT HE SAID UAE HAD CAPACITY TO SECRET

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INCREASE ITS PRODUCTION UP TO 500,000 HPD (WHICH IS THEORETICAL MAXIMUM). DECISION WHETHER TO INCREASE PRODUCTION WOULD BE TAKEN AFTER BEINNING OF NEXT YEAR.

8. DURING OUR DISCUSSION, UTAYBA REFLECTED ON SEVERAL OCCASIONS HIS CONCERN THAT UAE HAD STRUCK ITS NECK OUT A LONG WAY, AND HE WAS ANXIOUS TO LEARN OF REACTION IN US. HE SAID UAE HAD BEEN ACCUSED BY OTHER OPEC COUNTRIES AS BEING A TOOL OF UNITED STATES, A CHANGE WHICH HAD BEEN LEVIED AGAINST SAUDIS, BUT BEING A SMALLER PRODUCER AND A SMALL COUNTRY, UAE WAS MORE VULNERABLE TO PRESSURES FROM OTHER OPEC COUNTRIES. NONETHELESS, UAE HAD STUCK TO ITS GUNS AND HE THROUGHT IT HAD BEEN RIGHT DECISION. HE HOPED DECISION WOULD FACILITATE NEW UNITED STATES ADMINISTRATION'S TASK IN PURSUING A MIDDLE EAST SETTLEMENT AND THAT IT WOULD GIVE NEW IMPETUS TO NORTH SOUTH DIALOGUE. I TOLD HIM THAT I THOUGHT WASHINGTON WAS READING IT THE SAME WAY. I SAID I COULD UNDERSTAND UAE'S DISCOMFORT AT BEING ONLY SMALLER OPEC PRODUCER TO STICK WITH SAUDIS BUT THAT I APPRECIATED HIS EARLIER ASSURANCES TO ME THAT UAE WOULD CONSULT VERY CLOSELY WITH SAUDIS AND THAT FOR ALL PRACTICAL PURPOSES UAE POSITION WOULD BE SAUDI POSITION (SEE ABU DHABI'S 3082). WE SAW UAE AS KEEPING ITS WORD. I PROMISED TO GIVE UTAYBA COPIES OF PRESIDENT FORD'S STATEMENT (MEETING TOOK PLACE BEFORE WE RECEIVED TEXT OF PRESIDENT-ELECT CARTER'S MESSAGE) AND ANY OTHER STATEMENT OF INTEREST.

9. AT CONCLUSION OF OUR TALK, UTAYBA SAID THAT NEXT MEETING OF OPEC WAS SCHEDULED TO TAKE PLACE IN SIX MONTHS IN A WESTERN EUROPEAN NATION. HE DID NOT OFFER TO TELL ME WHERE IT WOULD BE BECAUSE HE SAID OPEC FIRST HAD TO SOUND OUT THE PARTICULAR

COUNTRY TO DETERMINE IF IT WERE WILLING TO HAVE AN OPEC MINISTERIAL. WITH PRESENT SECURITY PRECAUTIONS THAT ARE REQUIRED FOR OPEC MEETINGS, IT CAN BE QUITE A PROBLEM FOR COUNTRY WHERE OPEC MINISTERS ARE MEETING.

10. COMMENT: I BELIEVE THAT THIS IS TIME FOR US TO AVOID
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ANY PUBLIC CROWING ABOUT WHAT HAS HAPPENED IN OPEC SINCE THIS WILL ONLY PUT UAE AND SAUDIS UNDER FURTHER ATTACK BY OTHER OPEC COUNTRIES TO SHIFT THEIR POSITION. THIS WOULD ALSO ONLY SERVE TO CAUSE OPEC COUNTRIES TO CLOSE RANKS. THERE IS NO QUESTION BUT THAT STEP TAKEN BY SAUDIS AND UAE WAS DONE IN ANTICIPATION THAT IT WOULD HELP NEW ADMINISTRATION IN WASHINGTON AND WE SHOULD SEE IT IN THAT LIGHT. THIS ACTION THEREFORE MAKES YEAR 1977 EVEN MORE IMPORTANT FOR US TO MOVE AGAIN IN SEEKING MIDDLE EAST SETTLEMENT AND TO FOLLOW UP WITH POSITIOVE MOVE IN NORTH-SOUTH DIALOGUE.
DICKMAN

NOTE BY OC/T: ABU DHABI 3405; #PARA. 6. AS RECEIVED. CORRECTION TO FOLLOW.
NOTE BY OC/T: NOT PASSED BAGHDAD.

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